



Utah Department of
Agriculture and Food

MEMORANDUM TO: Utah Conservation Commission

FROM: Roberta Valdez, Ag Loan Specialist

DATE: October 11, 2023

SUBJECT: Agriculture Resource Development Loan – Late Fee Adjustment

The Loan Staff and Director of Conservation have recently reviewed the late fee percentage currently charged on Agriculture Resource Development Loan Program (ARDL). This program has a late fee of twelve percent (12%). We have inquired about other banking institutions, FSA, Western Ag Credit, and the Department of Finance concerning their current late charge fee percentages. Although these institution do not have similar programs, we compared them to their operating and direct mortgage loans

Currently:

1. Banks and credit unions have a grace period of 15 days then charge 5% or a set amount. ie \$20, whichever is greater. This is based on a monthly payment.
2. The Utah Department of Finance charges a 10% late fee based on a monthly payment.
3. Farm Service Agency (FSA) is a federal program that supports agricultures farmers and ranchers. They do not charge a late fee and will work with their borrowers to become current on defaulted loans. FSAs payments are typically annual payments.
4. Western Ag Credit, also an agriculture-based loan program, does not have a late fee. However, this program can add up to 4% to the current interest rate if they are 15 days past due and have the discretion to call the loan due.

Payments made towards ARDL loans are mostly paid annually. We also accommodate semi-annual, quarterly, and monthly payments. There is a 30-day grace period on all payments, except monthly payments have a 15-day grace period. When an annual payment is past due a 12% late charge can be quite large. And each month if the payment is delinquent, the loan will continue to receive late fees on the unpaid payment amount.

Our recommendation would be to lower the late fee percentage from twelve percent (12%) to five percent (5%) and cap the late fee at exactly five percent.

We feel that agriculture is cyclical and caused by circumstances sometimes beyond the control of the farmer and ranchers. For instance, drought, low prices paid on products, cost of feed, diseases are some of many circumstances that hurt the profitability of the farm or ranch. Adding this additional burden of such a high late fee charge and at a much higher percentage than local banking institutions and other agriculture loan programs only makes it much more difficult to remain current during these cyclical events.

Also, in the FY2023 legislation session, the ARDL program was appropriated \$20 million. This money will be put into the ARDL fund quarterly.